

Mindteck bets on deals from SMEs abroad

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Mr Pankaj Agarwal, Group Chief Executive Officer of Bangalore-based technology and IT services company Mindteck, during a recent visit to Bangalore spoke about the integration of the company's recent acquisitions.

Mindteck acquired Prime-tech Solutions Inc and two associate companies - MindTeck UK Ltd and Mindteck Singapore Pte Ltd - in April. In February, the company acquired US-based Infotech consulting. Mr Agarwal also discussed the internal re-structuring the company has undertaken. Excerpts from the interview:

How much of the integration is complete?

After the acquisitions, we ended up with three different companies in the US. We have integrated them to make one organisation in the US, which is called Mindteck Inc. Our accounting and auditing costs are now one. We have brought benefits for all employees under one plan and our banking is with one bank. All this has resulted in cost savings for us. We have opened small subsidiaries in Germany and the Netherlands. We are looking to convert some of our smaller operations into branches instead of having them as corporations. Running a corporation is much more expensive than running a



Mr Pankaj Agarwal,
Group CEO, Mindteck
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branch. In the next six months, we will see whether it makes sense. But we will execute it next year.

Are you looking at further buys?

Probably we will look at the next merger next year. By then we will have more clarity on how the financial markets are doing. At this point in time, we do not want to issue equity to buy companies. Getting money or borrowing cash is not easy as well.

Given the present business condition, where do you see growth?

My feeling is that small and medium companies in the US and the UK, with their margins coming under pressure, will get into offshoring. This is where opportunity lies for us. The smaller companies will not go the billion-dollar companies. They will want to work with companies that can understand or work with them.

Another major factor that I feel will help businesses is the

election getting over. There was a kind of negativity going around. That negativity will go away. Oil prices have gone down, and that makes a huge difference as well.

What are the ways you are trying to improve efficiency in the company?

We are reviewing our office space. We shut down our Hyderabad office recently and distributed those people to Delhi and Bangalore. We also shut down our Houston office last month. These were one or two person offices and there was no point in maintaining them. Instead of travelling everywhere we have started doing conference calls. We are looking at our communication costs, our data communication costs. We are also looking at a combined line of credit for all our operations. It helps us manage our cash flow better. We are also streamlining our HR policies.

Has the slowdown in business helped to bring down hiring pressures?

Management layers have to be developed for companies to grow. So this breathing space should help. One or two years of slowdown in hiring will generate enough new talent that we can hire. In the last four months, our acceptance rates have gone up to 62 per cent from 30 per cent and retention has increased. So the cost of hiring and training has gone down. All this translates into savings.